



# Retirement Backstop

## CLIENT SNAPSHOT

INDIVIDUAL NEEDS

## A plan to preserve, provide, and protect your assets during retirement years

Adequately saving for retirement can be a daunting task. Today’s retirees face many unique challenges – namely, they are living longer than ever and must rely on personal savings, rather than corporate-funded pension plans, as their primary source of retirement income. Under the current retirement landscape, having insufficient savings and/or outliving retirement assets is a real and growing concern. Ensuring that you have sufficient retirement savings requires creating a comprehensive plan today, and revisiting your plan routinely.



**ASK YOURSELF:** Are you saving for retirement? Have you considered the potential risks to your retirement plan? Does your plan adequately protect your loved ones?

### Your Current Assets – Accumulation Phase

Most of your retirement planning will occur in the “accumulation phase,” i.e., your working years up until actual retirement. A diversified retirement portfolio will often have income coming from four primary sources:

#### TAXABLE NON-QUALIFIED ACCOUNTS

STOCKS, BANK ACCOUNTS,  
MUTUAL FUNDS, ANNUITIES,  
REAL ESTATE, BUSINESS  
INCOME

#### TAX-DEFERRED ACCOUNTS – QUALIFIED PLANS

401(K), IRA, 403(B),  
OTHER DEFINED  
CONTRIBUTION PLANS

#### TAX-FREE ACCOUNTS

LIFE INSURANCE, ROTH IRA,  
MUNI BONDS

#### OTHER EXPECTED RETIREMENT INCOME

CORPORATE-FUNDED  
PENSIONS, SOCIAL SECURITY

## Understanding Your Retirement Risks

Various unforeseen factors may diminish your retirement savings more quickly than anticipated, including:

- **You (or your spouse, if applicable) live beyond your planned life expectancy**
  - How long are your assets projected to last? Will you outlive your assets?
- **Health care issues**
  - How would a long-term care event affect your retirement savings?
- **Withdrawal rate is higher than expected and/or unexpected expenses arise**
  - How long can your accounts sustain your anticipated retirement lifestyle if the amount you withdraw in a given year (or multiple years) exceeds the amount you planned to withdraw? Consider large or unexpected expense such as long-term care costs, home improvements or repairs, and financially supporting children or grandchildren.
- **Investment risks**
  - How will your retirement income be affected if your retirement accounts underperform? Will you be able to make up for those losses? The markets are unpredictable, and financial models indicate that retiring during a down market (even if it only lasts one year) will negatively affect your portfolio (compared to someone who retires during a bull market).
- **Inflation**
  - What will happen if inflation eats away at the purchasing power of your retirement income? If your earnings are not keeping up with inflation, you may run out sooner than expected.
- **Increased taxes in retirement**
  - What happens if taxes increase? Especially when retirement income is derived primarily from qualified retirement accounts, an increase in taxes means less purchasing power.



**ONE IN FOUR  
PEOPLE ALIVE AT  
AGE 65 WILL LIVE  
PAST AGE 90.<sup>1</sup>**

*What have you done to  
plan for a long retirement?*

## The Retirement “Backstop” Solution

A permanent life insurance policy can be an effective solution to provide a “backstop” against some, or all, of these unplanned retirement risks while simultaneously providing financial protection for your family. Once qualified plan contributions have been maximized, a Retirement Backstop life insurance policy can allow you to supplement your retirement income in later years and offer the following additional benefits:

**INCOME TAX-FREE<sup>4</sup>  
DEATH BENEFIT**  
TO YOUR SURVIVORS  
TO PROVIDE FINANCIAL  
PROTECTION

**ACCESS TO  
TAX-FREE INCOME**  
FROM THE CASH VALUE  
THAT ACCUMULATES INSIDE  
YOUR POLICY<sup>2</sup> THROUGH  
LOANS AND WITHDRAWALS

**ACCESS TO  
UP TO 100%  
OF YOUR DEATH  
BENEFIT INCOME-TAX FREE  
SHOULD YOU NEED  
LONG-TERM CARE<sup>3</sup>**

**PREMIUMS  
COVERED**  
IN THE EVENT OF A  
TOTAL DISABILITY<sup>5</sup>



## DEATH BENEFIT

Cash value life insurance, at its core, is a protection vehicle. Life insurance generally provides an income-tax free death benefit to your survivors, making it an excellent way to ensure that your family has the money they need to maintain their current standard of living and meet their financial goals. Life insurance can help ensure a comfortable retirement for a surviving spouse, pay for final expenses, and help provide a legacy for children and grandchildren (who may depend on you for financial support).



## SUPPLEMENTAL INCOME

Access to the cash value<sup>2</sup> in your life insurance policy may provide an essential backstop should you outlive your primary retirement savings. Your life insurance policy can be an effective way to supplement your other retirement accounts by:

- **Providing a source of tax-free retirement income** should you (or your spouse) outlive your primary retirement assets
- **Providing a source of supplemental income** to offset investment losses and/or inflation
- **Pay for unexpected costs that may arise**, such as housing, medical, and/or other personal expenses



## LONG-TERM CARE

More than 70% of people age 65 years and older will have a need for long-term care during their life.<sup>6</sup> Consider how a prolonged long-term care event could affect:

- **Your ability to work and produce income** for your family
- **Your retirement savings** when large withdrawals are needed to pay for care
- **Your ability to leave your spouse and/or children with an inheritance**

To help address this risk, adding a rider for long-term care needs to your life insurance policy allows you to accelerate the policy's death benefit, income-tax free, to pay for long-term care expenses. A life insurance policy with a such a rider can be an effective way to preserve your primary retirement assets in the event you need long-term care.



## DISABILITY

In the event of disability during your accumulation years, Disability Payment of Specified Premium Rider will pay a specified premium to keep your policy in force so you can re-deploy those assets, that were designated for premium payments, to other areas of need.

## Next Steps

A retirement backstop plan can help address some of the challenges you may face in retirement – outliving your retirement assets, needing long-term care, and protecting your family should something happen to you. Talk to your financial professional about creating and funding a permanent life insurance policy to help protect you and the ones you love.

## Talk to your financial professional about using life insurance to help preserve, provide, and protect your assets during retirement years.

1. Social Security Administration (SSA.gov). Calculators: Life Expectancy. Accessed February 2018. <https://www.ssa.gov/planners/lifeexpectancy.html>
2. Loans and withdrawals will reduce the death benefit and cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Withdrawals in excess of the cost basis (premiums paid) will be subject to tax and certain withdrawals within the first 15 years may be subject to recapture tax. Additionally, policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2. Withdrawals are available after the first policy year.
3. When a rider for long-term care needs is added to a policy.
4. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.
5. When a Disability Payment of Specified Premium (DPSP) is added to a policy.
6. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, February 2017. <http://longtermcare.acl.gov/the-basics/index.html>

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Some riders may have additional fees and expenses associated with them.

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